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Major agricultural concerns of developing countries: Impact of the reform process in agriculture on LDCs and net food-importing developing countries and ways to address their concerns in multilateral trade negotiations

Note by the UNCTAD secretariat

I. Background

1. The Expert Meeting on the Impact of the Reform Process in Agriculture on LDCs and Net Food-Importing Countries and Ways to Address their Concerns in Multilateral Trade Negotiations took place from 24 to 26 July 2000 at the Palais des Nations in Geneva. It was held pursuant to paragraph 134 of the Bangkok Plan of Action, adopted by UNCTAD X, and its major objective was to identify, on a country-specific basis, challenges and concerns confronting least developed countries (LDCs) and net food-importing developing countries (NFIDCs) in the face of the reform process in agriculture and to contribute to the formulation of negotiating proposals by LDCs and NFIDCs in the ongoing World Trade Organization (WTO) negotiations on agriculture, so as to ensure that those negotiations would effectively address their concerns.

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2. The discussions led to a recognition that certain problems arising from the agricultural reform process faced by individual LDCs and NFIDCs were in fact common to them. As summarized in paragraphs 27 to 34 of the Report of the Expert Meeting (TD/B/COM.1/31, TD/B/COM.1/EM.11/3), those common concerns included worsening food security problems, structural difficulty in achieving competitiveness in the international agricultural market and heavy dependence on preferential market access for the agricultural exports on which the foreign exchange earnings of many LDCs and NFIDCs depend.

3. The outcome of the Meeting was not intended as the experts' agreed conclusions but rather as a reflection of the richness and diversity of the views expressed, given the versatility and country-specificity regarding agricultural production and trade patterns. It was drawn up as a list summarizing the suggestions of various experts, rather than as one reflecting agreement.

II. Key issues

4. The outcome of the Expert Meeting includes the following key elements:

(a) **Actions under the Ministerial Decision on Measures Concerning the Possible Negative Effects of the Reform Process on Least-developed Countries and Net Food-Importing Developing Countries (Marrakesh Decision)** should be aimed at making that decision more operational and more focused on long-term food security problems than on short-term food aid needs. The possible effects on LDCs and NFIDCs of the new, more stringent multilateral discipline on export subsidies and export credits warrant special consideration. Food aid should be properly targeted in order to avoid disruption of domestic production. Technical and financial assistance to the agricultural sector should be upgraded, and the possibilities of setting up a revolving fund and negotiating separate conventions for that purpose are to be explored.

(b) **Negotiations on the continuation of the reform process in agriculture** should be aimed at eliminating tariff peaks and tariff escalation, and reducing tariff barriers in developed countries for agricultural exports produced by LDCs and NFIDCs. Other preferential tariff- and non-tariff-related market access measures for those countries should also be envisaged. Negotiations on export competition policies should focus on eliminating export subsidies provided by developed countries, while allowing LDCs and NFIDCs flexibility in implementing such promotion measures, and on improving the multilateral discipline on export credits. Negotiations on domestic support measures should aim at substantially reducing their use in developed countries, and at increasing flexibility in their application in developing countries and in LDCs and NFIDCs in particular. Negotiations should also aim at allowing LDCs and NFIDCs special and differential treatment in applying safeguard measures to protect small farmers and key staples. Non-trade concerns such as rural development, poverty alleviation and the food security of developing countries should also be the focus of future negotiations.

(c) **Other issues** relate to the consistency and fairness of the global framework of multilateral rules on agricultural trade. Developing countries should be given credi

for the liberalization measures undertaken autonomously in the past and should not be asked to go beyond their WTO commitments as a condition for the implementation of programmes financed by the Bretton Woods institutions. Negotiations on accession to the WTO should take into account the specific conditions prevailing in the agricultural sectors of acceding countries.

5. The members of the Commission might wish to continue deliberations on these and other key issues of common interest with the aim of better understanding each other's positions and advancing the process of consensus building. Also, there may be a need to examine in greater detail the technical aspects of the suggestions made above, in particular the special situation of certain developing countries and the ways and means of protecting the interests of small firms and addressing the problem of rural poverty.

III. Policy options

6. The outcome of the Expert Meeting also contains recommendations to UNCTAD (and other international organizations) with regard to those areas where follow-up activities would be needed:

(a) Technical assistance from UNCTAD and other international organizations is required in analysing information on the agricultural trade policies of other countries and to support developing countries, particularly LDCs and NFIDCs, in the current negotiations and in negotiations on accession.

(b) UNCTAD should play a key role in providing the statistical and analytical background needed to support developing countries in the negotiations. Specifically, UNCTAD, working with the Food and Agriculture Organization of the United Nations (FAO) and other international organizations, should: (i) document and quantify in as much detail as possible the domestic and export support measures and market access restrictions applied by developed countries to their agriculture at the sector and commodity levels, per country, and (ii) assess the impact of support measures and market access restrictions on the competitiveness of developing country exports and domestic products at the commodity and country levels.

(c) UNCTAD should analyse the impact of the Agreement on Agriculture on LDCs, NFIDCs and small island developing countries in agricultural trade, and should develop a specific action plan and accompanying budget.

(d) UNCTAD should analyse ways to reduce the cost disadvantages in agricultural trade (due particularly to transport costs) faced by the landlocked countries.

7. The Commission may wish to endorse these recommendations, amend them if necessary, and discuss how they should be reflected in its plan of action in the coming year(s).

8. In addition, on the basis of the discussions at the Expert Meeting as well as of the other activities of the Division on Trade in Goods and Services, and Commodities in the area of agriculture, the following issues may be considered as issues that are crucial to major agricultural concerns of developing countries:

- The process of adjustment from heavy dependence on preferential trading arrangements to sustainable product diversification in the face of multilateral trade liberalization;
- Factors determining the competitiveness of agricultural (primary and processed) exports of developing countries, considering the recent development of agricultural market structure, consumer preferences and concerns (including concerns about food safety) and food technology;
- Structural disadvantages of least developed and small developing economies in gaining a competitive edge in the international agricultural market.

IV. Comments received

9. The following comments have been received from one UNCTAD member State (Saudi Arabia) and from the European Union:

Saudi Arabia (received on 15 November 2000; original in Arabic)

1. Measures related to the negative implications of the agricultural reform programme for the net food-importing developing countries:

> It is imperative that the Marrakesh Decision be applied for the benefit of the developing countries and the least developed among them, so as to solve in the long run the problems that these encounter in the field of food security.

2. With regard to negotiations in the are of agriculture, the following procedures should be followed:

- Opening the markets for agricultural products of importance to developing countries through maximum tariff reductions and the elimination of tariff escalation measures;
- Eliminating export subsidies offered by developed countries, and disciplining export credits;
- Minimizing the extensive use of Green Box measures by developed countries, and eliminating Blue Box measures;
- Increasing the minimum level of agricultural support for the developing countries, which currently stands at 10 per cent, in order to diversify agricultural products, mitigate rural poverty and strengthen the export competitiveness of local products.

3. Accession to the WTO:

- The situation of the agricultural sector in the developing countries should be taken into account when negotiating accession.

European Union (received on 21 November 2000; submitted by the Permanent Mission of France)

Three additional points should be added to Chapter I of the Report of the Expert Meeting ("Outcome of the Expert Meeting") so that it reflects all the opinions expressed at the Meeting:

1. Under "Market access"

- A large majority of developing countries would benefit most in future if preferential treatment in developed country markets is continued and improved.

2. Under "Export competition policies"

- Given that there are various ways of supporting exports, disciplines on export subsidies should be accompanied by disciplines on other measures of export support such as export credits, and on abuse of food aid and state trading export operations.

3. Under "Domestic support"

- Blue Box support helps the reform process in agriculture and has a low trade-distorting impact.